

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF PER DIEM PAYMENTS

For the year ending June 30, 1996

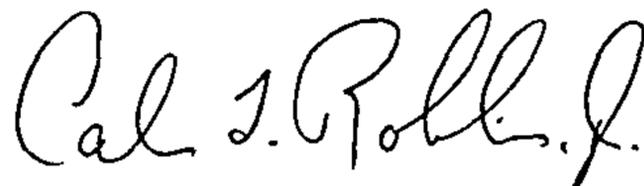
The following amounts of per diem were paid to the members of the governing authority of Water Works District Number 4 for the year ended June 30, 1996:

	<u>Number of Meetings</u>	<u>Amount</u>
Lucius Treuil, Sr.	12	\$ 720
Leo Wallace	11	550
Mathew Young	11	550
Alvin Mclin	12	600
Wanda Webre	12	<u>600</u>
Total		\$ <u>3,020</u>

November 1, 1996

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe that the reportable condition disclosed above relating to lack of segregation of duties is a material weakness.

This report is intended for the information of management and members of the Water Works District Number 4. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountant
(A Professional Corporation)

November 1, 1996
Baton Rouge Louisiana



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish
Port Allen, Louisiana

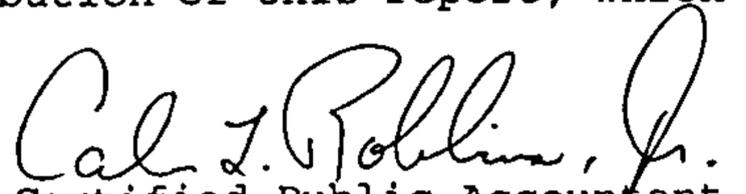
I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the year ended June 30, 1996, and have issued my report thereon dated November 1, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Water Works District Number 4 of West Baton Rouge Parish, Louisiana is the responsibility of the Management of the Water Works District. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Water District's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the members of the Water Works District Number 4. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountant
(A Professional Corporation)

November 1, 1996

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF RETAINED EARNINGS

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<u>Balance</u> - Beginning of the year	\$ 667,628	\$ 558,618
Net income for the year	<u>122,921</u>	<u>109,010</u>
<u>Balance</u> - End of the year	\$ <u>790,549</u>	\$ <u>667,628</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<u>Operating Revenues</u>		
Water sales	\$ 365,472	\$ 337,693
Penalties	6,022	5,538
Connection charges	15,015	17,590
Service charges	2,048	2,240
Collection fees	6,845	6,276
Bad debt recovery	315	357
Miscellaneous	<u>1,383</u>	<u>2,969</u>
Total	- <u>397,100</u>	- <u>372,663</u>
<u>Operating Expenses</u>		
Per diem expense	3,020	2,850
System operating charges	72,339	70,034
System rental	1,436	626
Depreciation	67,755	62,499
Electricity	31,477	29,699
Meter and system repairs and supplies	38,780	32,840
Insurance	6,949	6,612
Postage	3,611	3,398
Telephone	399	398
Secretarial expense	2,700	2,700
Miscellaneous	3,019	2,118
Bad debt expense	1,626	1,033
Professional fees	4,200	5,618
Billing supplies	<u>1,884</u>	<u>1,541</u>
Total	- <u>239,195</u>	- <u>221,966</u>
Operating Income	- <u>157,905</u>	- <u>150,697</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest earned	38,792	37,795
Interest expense	(71,951)	(72,126)
Amortization of debt issuance expense	(1,721)	(1,721)
Investment expense	(1,802)	(1,246)
Gain (loss) on sale of investments	<u>1,698</u>	<u>(4,389)</u>
Total Nonoperating Revenues (Expenses)	- <u>(34,984)</u>	- <u>(41,687)</u>
Net Income	\$ <u>122,921</u>	\$ <u>109,010</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 1996 and 1995

Increase (Decrease) in Cash and Cash Equivalents

	<u>1996</u>	<u>1995</u>
<u>Cash Flows from Operating Activities</u>		
Operating income	\$ <u>157,905</u>	\$ <u>150,697</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,755	62,499
Decrease (Increase) in assets:		
Accounts receivable	(7,020)	(7,609)
Prepaid insurance	511	(696)
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(3,787)	(302)
Inter-governmental payables	<u>10,182</u>	<u>9,398</u>
Total adjustments	<u>67,641</u>	<u>63,290</u>
Net cash provided by operating activities	<u>225,546</u>	<u>213,987</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(116,375)	(89,766)
Principal paid on revenue bond maturities	(26,370)	(51,718)
Interest paid on revenue bonds	<u>(72,170)</u>	<u>(145,361)</u>
Net cash used for capital and related financing activities	<u>(214,915)</u>	<u>(286,845)</u>
Cash provided (used) before investing activities	10,631	(72,858)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cost at July 1	\$ 2,799,049	\$ 2,709,283
System additions	<u>116,374</u>	<u>89,766</u>
Cost at June 30	\$ <u>2,915,423</u>	\$ <u>2,799,049</u>

All additions shown above were made with the system's own funds.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash provided (used) before investing activities - from the preceding page	\$ - <u>10,631</u>	\$ - <u>(72,858)</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	37,435	39,122
Investment expenses	(1,802)	(1,246)
Proceeds from sale and redemption of securities	214,732	204,984
Purchase of securities	<u>(222,200)</u>	<u>(220,762)</u>
Net cash provided by investing activities	<u>28,165</u>	<u>22,098</u>
Net increase (decrease) in cash and cash equivalents	38,796	(50,760)
Cash and cash equivalents at the beginning of the year	<u>369,892</u>	<u>420,652</u>
Cash and Cash equivalents at the end of the year	\$ <u>408,688</u>	\$ <u>369,892</u>
<u>Cash and cash equivalents are shown as follows on the balance sheet:</u>		
Cash	\$ 288,936	\$ 259,915
Restricted assets	<u>119,752</u>	<u>109,977</u>
Total	\$ <u>408,688</u>	\$ <u>369,892</u>

Noncash Investing, Capital, and Financing Activities:

The district converted investments worth \$1,370 and \$10,239 into other investments in 1996 and 1995 respectively.

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

OPERATING STATISTICS (UNAUDITED)

For the years ending June 30, 1996 and 1995

Water Works District Number 4 was serving 1,692 and 1,632 customers at June 30, 1996 and 1995, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 1996 and 1995 are reflected in the following statistical data:

	<u>1996</u>	<u>1995</u>
Water sales	\$ 365,472	\$ 337,693
M gallons of water sold	250,234	225,403
Total number of customers' billings	19,928	19,296
Average number of customers billed per month	1,661	1,608
Average monthly revenue per customer	\$ 18.34	\$ 17.50
Average revenue per M gallons	1.46	1.50

(UNAUDITED)

SUPPLEMENTARY INFORMATION

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 3. RESTRICTED ASSETS - (Cont'd)

- B) The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at June 30, 1996 and 1995 were \$59,124 and \$54,197, respectively. As of June 30, 1996 and 1995, this fund was adequately funded.
- C) The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at June 30, 1996 and 1995 were \$58,176 and \$53,328, respectively. As of June 30, 1996 and 1995, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$119,752 and \$109,977 at June 30, 1996 and 1995, respectively.

NOTE 4. INVESTMENTS

At June 30 the Water District had investments as follows:

<u>1996:</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Various U. S. Treasury obligations, 5.875% to 7.875%, due between 5/15/97 and 2/15/04	\$ 170,235	\$ 170,152
Various FNMA and FHLMC pools, 7.00% to 7.50%, due between 10/15/07 and 9/25/23	235,826	220,612
RMA Money Mkt Portfolio	3,110	3,110
Paine Webber Cash Fund	<u>15,188</u>	<u>15,188</u>
	\$ <u>424,359</u>	\$ <u>409,062</u>

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1996 and 1995

Introduction

Water Works District Number 4 operates a water system serving residences and businesses in parts of West Baton Rouge Parish. The Water District extends credit to its customers. The district does not require its customers to furnish collateral for their accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Water Works District Number 4 of West Baton Rouge Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standard Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Water District applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Water Works District Number 4 of West Baton Rouge Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Water District. Based on the criteria set forth in GASB Statement No. 14, the Water District is a component unit of the West Baton Rouge Parish Council. The basis criteria is the Council's ability to exercise oversight responsibility. The Parish Council appoints the members of the Water District's board of commissioners and approves the District's budget.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 9. GARBAGE FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1986 whereby the District bills and collects a garbage collection fee on behalf of the Parish Council. The District retains thirty-three cents per customer every month to cover its billing expenses (classified as Collection Fees on the Statement of Revenue and Expenses). The remainder is remitted to the Parish Council as collected. At June 30, 1996 and 1995, the District had collected but not remitted \$25,444 and \$25,831, respectively, to the Parish Council. This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

NOTE 10. SEWER FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1987 whereby the District bills and collects sewer user fees for sewer systems within the District on behalf of the Parish Council and remits the fees to the Parish Council. In consideration for the collection of sewer user fees by the District, the Parish Council, through its Utility Systems, operates and maintains the sewer plants and systems located within Water Works District Number 4. At June 30, 1996, the District had collected but not remitted \$3,635 to the Parish Council (\$3,487 at June 30, 1995). This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

NOTE 11. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The District purchases commercial insurance policies at levels which management believes is adequate to protect the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the Water Works District Number 4 of West Baton Rouge Parish has no component units.

Enterprise Fund

Water Works District Number 4 is operated as an enterprise fund, and as such employs the accrual method of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water System

All assets are recorded at original cost. Interest costs incurred during and related to construction are capitalized. Depreciation is recorded on all exhaustible fixed assets over their estimated useful lives using the straight-line method. The service life of the water system is 25 to 50 years. Equipment used in providing water service is depreciated over 4 to 10 years.

Deferred Expenses

The cost of issuing the Water Works Revenue Bond is being amortized over the term of the bond issue using the straight-line method.

Investment Securities

Investment securities are carried at cost, adjusted for amortization of premiums and accretion of discounts.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

The District has the ability to hold these securities to maturity. Gains and losses, if any, are determined using the specific identification method when securities are sold.

Statement of Cash Flows

For purposes of the statement of cash flows, Water Works District Number 4 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Water District does not consider its investment in debt securities or any funds held by its brokers as cash equivalents (See Note 4).

Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund.

Fund Equity

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

Organization

Water Works District Number 4 was established to construct and acquire a complete water system for the benefit of the residents and customers of the Water Works District as designated by the West Baton Rouge Parish Parish Council. The Water Works District was granted a franchise to operate by the Parish Council in February, 1982. Water sales began in July, 1982.

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Water Works District Number 4
of West Baton Rouge Parish, Louisiana

(A Component unit of the West Baton Rouge Parish Council)

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

June 30, 1996 and 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date FEB 12 1997

**Water Works District Number 4
of West Baton Rouge Parish, Louisiana**

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 7. WATER SYSTEM AGREEMENT - (Cont'd)

Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District Number 4 a total of \$72,339 from July 1, 1995 to June 30, 1996 and \$70,034 from July 1, 1994 to June 30, 1995. Of these amounts, \$6,142 and \$5,924 were payable at June 30, 1996 and 1995, respectively.

The Public Utility also bills the Water Works District for services not covered by the operating agreement. During the current year, the District was billed \$63,564 for these services. Of that amount, \$41,009 was capitalized and \$22,555 was expensed. The Water District owed \$31,891 and \$21,688 to the Public Utility for these services at June 30, 1996 and June 30, 1995, respectively. During the year ended June 30, 1995, the District was billed \$71,470 by the Public Utility; \$56,566 was capitalized and \$14,904 was expensed.

All amounts owed to the Public Utility under the various agreements discussed above are included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

In addition to the regular services provided for under the operating agreement, the Public Utility assisted the Water District in relocating some of its water lines during the year ended June 30, 1991. The relocation was required by the Louisiana Department of Transportation. Total cost of relocating the Water District's lines was \$48,498. That amount was unpaid at June 30, 1996 and 1995 and is shown in the Other Liabilities section of the Balance Sheet.

NOTE 8. FARMERS HOME ADMINISTRATION GRANT

Water Works District Number 4 received a grant from the Farmers Home Administration for use in the acquisition, construction, enlargement or capital improvement of the water systems in its area of operation. The grant was for up to \$600,000 of approved expenditures on the above described activities. All grant funds were received and expended in prior years.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 6. REVENUE BOND PAYABLE - (Cont'd)

The annual requirements to amortize the revenue bond payable as of June 30, 1996 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ -0-	\$ -0-	\$ -0-
1998	25,247	73,293	98,540
1999	29,151	69,389	98,540
2000	30,609	67,931	98,540
2001	32,139	66,401	98,540
2002-2023	<u>1,295,875</u>	<u>868,471</u>	<u>2,164,346</u>
Totals	\$ <u>1,413,021</u>	\$ <u>1,145,485</u>	\$ <u>2,558,506</u>

NOTE 7. WATER SYSTEM AGREEMENT

Water Works District Number 4 leases several water systems from the West Baton Rouge Parish Public Utility under a local services agreement entered into February, 1982. The lease is for the term of the Water Works Revenue Bond issued in July, 1982. Lease payments are based on the proportionate share of principal and interest due on the Public Utility's outstanding revenue bonds dated December 1, 1964 applicable to the leased water systems.

System rental expense on the leased water systems was \$834 and \$626 for 1996 and 1995, respectively. The system rental expense payable at June 30, 1996 and 1995 totaled \$2,983 for both years.

A separate operating agreement requires the Public Utility to operate the systems it leases to the Water Works District. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above.

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whether they have been placed in operation, and I assessed control risk in order to determine auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness.

This condition was considered in determining the nature, timing, and extent of audit tests to be applied in my audit of the June 30, 1996 financial statements and this report does not affect my report on those financial statements dated November 1, 1996.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 5. WATER SYSTEM

At June 30 the Water System consisted of the following:

	<u>1996</u>	<u>1995</u>
Water System - Cost	\$ 2,915,423	\$ 2,799,049
Accumulated depreciation	<u>(921,661)</u>	<u>(853,905)</u>
Water System Net of Accumulated Depreciation	\$ <u>1,993,762</u>	\$ <u>1,945,144</u>

NOTE 6. REVENUE BOND PAYABLE

The Revenue Bond payable at June 30, 1996 and 1995 consisted of the following:

	<u>1996</u>	<u>1995</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corporation for private investors; interest at 5%. Annual payments of \$98,540. Principal and interest to be paid from the income and revenue derived from the operation of Water Works District Number 4.	\$ 1,413,021	\$ 1,439,391
Less current portion	<u>-0-</u>	<u>-0-</u>
Balance	\$ <u>1,413,021</u>	\$ <u>1,439,391</u>

The bond payment due within one year of June 30, 1996 was paid early. That payment was made prior to June 30, 1996. Therefore, there is not a payment classified as a current liabilities at June 30, 1996.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 2. CASH AND CASH EQUIVALENTS

Cash is shown on the balance sheet under current assets (cash and certificate of deposit) and restricted assets. The carrying value of cash on deposit with financial institutions on June 30, 1996 was \$408,688. These deposits are stated at cost, which approximates market.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1996, the bank balances of the Districts' deposits were \$405,585. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$500,031 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. RESTRICTED ASSETS

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Water Works Revenue Bond dated July 8, 1982. They are as follows:

- A) The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Water Works Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at June 30, 1996 and 1995 were \$2,452 and \$2,452, respectively.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 109,977	\$ 198,742
Additions:		
Transfer from Revenue account	108,315	108,315
Interest earned	<u>-0-</u>	<u>-0-</u>
Total Cash Available	<u>218,292</u>	<u>307,057</u>
Disbursements:		
Bond principal paid	26,370	51,718
Bond interest paid	<u>72,170</u>	<u>145,362</u>
Total Disbursements	<u>98,540</u>	<u>197,080</u>
Balance, June 30, Cash with Bank of West Baton Rouge, Louisiana	\$ <u>119,752</u>	\$ <u>109,977</u>

The restricted cash account was adequately funded as of June 30, 1996 and 1995.

Interest earned on restricted cash funds is not required to be restricted.

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

INSURANCE COVERAGE (UNAUDITED)

June 30, 1996

Insurance and fidelity bond coverage on June 30, 1996 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
July 8, 1996	Commercial Union Insurance Companies (Policy # R174873)	Commercial general liability \$1,000,000 aggregate; \$1,000,000 aggregate completed operations; advertising and personal injury \$1,000,000; each occurrence limit \$1,000,000; fire damage limit \$50,000 any one fire; and medical expense limit \$5,000 any one person.
October 6, 1996	Commercial Union Insurance Companies (Policy # MER308246)	Commercial property coverage on two water towers, (\$212,500 and \$425,200), \$5,000 deductible, 90% coinsurance.
August 9, 1996	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
April 27, 1997	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
May 20, 1997	Western Surety Co.	Fidelity bond on President, \$5,000.

(UNAUDITED)

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CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 1996 and 1995 listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Water District. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

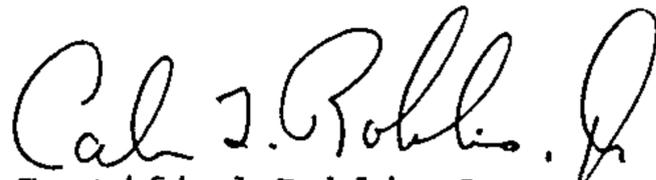
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana, as of June 30, 1996 and 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In the course of my audit, nothing came to my attention that caused me to believe there has been any lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.

Water Works District Number 4

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana. Such information, except for the Schedule of Insurance Coverage and Operating Statistics marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

In accordance with Government Auditing Standards, I have issued a report dated November 1, 1996 on my consideration of the West Baton Rouge Parish Public Utility's internal control structure, and a report dated November 1, 1996 on its compliance with laws and regulations.



Certified Public Accountant
(A Professional Corporation)

November 1, 1996
Baton Rouge, Louisiana

FINANCIAL STATEMENTS

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

BALANCE SHEETS

June 30, 1996 and 1995

A S S E T S

	<u>1996</u>	<u>1995</u>
<u>Current Assets</u>		
Cash and certificate of deposit	\$ 288,936	\$ 259,915
Accounts receivable (net of allowance for bad debts of \$1,000)	69,512	62,492
Interest receivable	4,726	3,369
Prepaid insurance	<u>1,203</u>	<u>1,714</u>
Total Current Assets	<u>364,377</u>	<u>327,490</u>
 <u>Restricted Assets</u>		
Revenue Bond Restricted Funds (See Page 17)	<u>119,752</u>	<u>109,977</u>
<u>Investments</u>	<u>424,359</u>	<u>415,191</u>
 <u>Water System</u>		
At cost, net of accumulated depreciation	<u>1,993,762</u>	<u>1,945,144</u>
 <u>Other Assets</u>		
Unamortized debt issuance expense	<u>44,756</u>	<u>46,478</u>
Total Assets	<u>\$ 2,947,006</u>	<u>\$ 2,844,280</u>

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1996 and 1995

NOTE 4. INVESTMENTS - (Cont'd)

The decline in market is considered a temporary decline due to interest rate fluctuations. The FNMA and FHLMC pools are expected to be held until maturity. The securities are carried at amortized cost.

<u>1995:</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Various U.S. Treasury obligations, 5.57% to 7.125%, due between 9/21/95 and 2/15/03	\$ 152,649	\$ 156,492
Federal Farm Credit Bank obligations, 5.9% due 7/11/95	6,986	6,986
Various FNMA and FHLMC pools, 7.00% to 7.50%, due between 10/15/07 and 9/25/23.	245,821	239,649
RMA Money Mkt Portfolio	4,481	4,481
Paine Webber Cash Fund	<u>5,254</u>	<u>5,254</u>
	\$ <u>415,191</u>	\$ <u>412,862</u>

Investments are limited by state law and the district's investment policy. The investments are held by the Water District's broker in its street name. Because the securities are not in the name of the District and are not held by the District or its agents, the securities are considered uninsured and unregistered, Category 3, in applying the credit risk of GASB Codification I50.164.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the year ended June 30, 1996, and have issued my report thereon dated November 1, 1996.

I have conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, for the year ended June 30, 1996, I obtained an understanding of the District's internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

November 1, 1996

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana for the year ended June 30, 1996. As part of my audit, I made a study and evaluation of the District's system of internal accounting control to the extent I considered necessary solely to determine the nature, timing, and extent of my auditing procedures. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and I do not express such an opinion.

During my audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency and compliance with applicable laws and regulations. I discussed the following suggestions with you and your replies are noted below.

Accounts Receivable Reconciliation

The billing register is not being reconciled with the general ledger on a monthly basis. The billing register should be reconciled to the general ledger on a monthly basis. This will eliminate large year-end adjustments and strengthen accounting controls over your billing system. This problem was addressed in my prior year's management letter.

This problem was discussed with the Water District's management. I assisted management in developing a procedure to reconcile accounts receivable. The billing register was reconciled periodically during the year but not on a monthly basis. The year end adjustment to accounts receivable was insignificant.

Management plans to begin reconciling the billing register with the general ledger in the future.

Board of Commissioners
West Baton Rouge Parish
Water Works District # 4

-2-

November 1, 1996

I will be happy to assist you in addressing this suggestion. It has been a pleasure to serve you during the course of this engagement.


Certified Public Accountant
(A Professional Corporation)